

HOPE VI DEMOLITION GRANT MANAGEMENT AND MONITORING

Grant management responsibilities for all HOPE VI Demolition grants (grants for demolition, relocation, and related activities only) has been *assigned* from HUD Headquarters to Public Housing Directors and Program Center Coordinators in applicable Field Offices. Because the activities eligible under a HOPE VI Demolition grant are undertaken in the same manner as they are under HUD's Modernization programs, it is appropriate that Field Office staff monitor those activities and provide assistance to Grantees.

However, because the HOPE VI Program has not been *delegated* to Field Offices and the funds are officially assigned to Headquarters, some activities, particularly with regard to fund obligation, must be performed by the Office of Public Housing Investments (OPHI) in Headquarters. This document describes the process of setting up HOPE VI Demolition grants and the responsibilities of various HUD staff in monitoring them. This guidance supersedes any related chapters in any previous versions of the HOPE VI Guidebook as well as relevant guidance in Notice HUD 95-10.

I. GRANT SETUP

A. Grant Award and Obligation of Funds

After making grant selections, OPHI reserves the funds and notifies the recipient Public Housing Agencies (PHAs) by letter, providing each applicable Field Office with copies of the award letters. OPHI then transmits four copies of an obligating document for each grant to the Grantee. Grantees are asked to originally-sign each of the four copies and return them directly to OPHI for execution at the address listed above. Once the obligating documents are executed by the Assistant Secretary for Public and Indian Housing, OPHI distributes the four copies as follows:

1. OPHI sends one copy to HUD's Office of Finance and Accounting, which uses the document to obligate grant funds.
2. OPHI keeps one copy for its files.
3. OPHI sends two copies to the applicable Field Office, along with a copy of OPHI's letter transmitting the executed document back to the Grantee. The Field Office keeps one copy and transmits the other copy to the Grantee.

4. Budget

When OPHI sends the award letter and copies of the unexecuted obligating document to the Grantee, it also encloses a copy of the approved HOPE VI Demolition budget for the new grant. If OPHI has approved the submitted budget, either as submitted or with OPHI's revisions made at grant award, OPHI will indicate the amount of each individual Budget Line Item (BLI) on the approved budget form. Once HUD obligates the funds, OPHI will enter grant funds into LOCCS in accordance with those BLIs.

However, if OPHI cannot approve individual BLIs, e.g., if OPHI approved a grant in an amount less than requested, the approved budget will indicate only a total amount awarded. In this case, the Grantee must revise its budget and submit it to the Field Office for approval.

A Grantee must request any further significant changes to its budget from the Field Office for approval. Grantees may request up to 110 percent of any BLI (except the Administration BLI) without HUD approval. Although the total HOPE VI Grant amount may not be increased, Grantees are free to use other sources of funds for necessary, reasonable, and eligible costs that exceed the amount of the HOPE VI grant. Each Grantee is provided with HOPE VI Budget Guidance, which describes eligible costs for each Budget Line Item.

B. Grantee Financial Instructions

OPHI also provides Grantee Financial Instructions to each Grantee, which explains how to submit banking information, become authorized in LOCCS, and make requests for funds. Although Grantees are asked to submit Direct Deposit forms and LOCCS authorization forms directly to OPHI for processing, Field Offices may be asked to assist new Grantees in completing these forms. PHAs with existing HOPE VI grants usually do not need to resubmit their banking for LOCCS information unless they wish to request a change in bank account or authorize different users.

II. FIELD OFFICE ADMINISTRATION

A. Field Office Staff LOCCS Access

Once HUD has obligated the HOPE VI Demolition grant funds and entered the budget into LOCCS, Field Office staff will administer the grant. Each Field staff person who has been assigned to administer a HOPE VI Demolition grant in LOCCS but does not have LOCCS access for HOPE VI (program area URP) must complete a HUD 27054-A to obtain Field Office Administration Access. A copy of the 27054-A is attached and may also be downloaded from HUDClips (www.hudclips.org). (Note that even though HOPE VI grant numbers include the letters "URD," the Program Area for HOPE VI is "URP.") Each new authorized HUD staff person will receive a LOCCS user ID in the mail. If a staff person already has a LOCCS user ID, mark the Add/Change Authority box on the form and enter the current user ID. OPHI staff will retain access in LOCCS, and is available to continue administering LOCCS drawdowns (upon Field Office approval) until Field Office staff are authorized.

LOCCS Security has requested that OPHI program staff review LOCCS documents before they are submitted for processing. Field Office staff are asked to return completed forms to OPHI at the following address:

Office of Public Housing Investments
Attn: DeWayne Kimbrough
U.S. Department of HUD, Room 4138
451 - 7th Street SW
Washington, DC 20410

B. Field Office LOCCS Administration

Once grant funds are obligated and OPHI has spread the funds into BLIs, Field Offices are responsible for the following actions and activities for their respective HOPE VI Demolition grants:

1. Review the Grantee's quarterly report (see below) and enter receipt of each report into LOCCS. [LOCCS screen M10]
2. When warranted, override LOCCS edits to permit draws larger than 5 percent of the total grant amount per month. [Check LOCCS Screens V32 or Q10 to identify outstanding vouchers.]
3. If necessary, override LOCCS edit to permit a drawdown of more than 110 percent for a BLI. [Voucher will appear on LOCCS Screen V32] If the voucher is paid, make sure that the Grantee submits a budget revision to correct this problem in the future.
4. Review and approve budget revisions and record changes in LOCCS. [LOCCS screen F01]

5. As requested by the Grantee, make realignments to drawdowns to reflect actual expenditures. [LOCCS screen M03]
6. When warranted, suspend payments to a Grantee from LOCCS and remove the suspension when corrective action has been taken. [LOCCS screen M01]
7. As appropriate, cancel a VRS voucher request waiting to be paid. [LOCCS screen V31] This may only be done on the same day the request is called in.
8. If requested, with proper justification, extend grant term by entering a revised obligation end date. [LOCCS screen A01]
9. Close out grant in accordance with the HOPE VI Demolition Closeout Procedures. [LOCCS screen A01]

For assistance administering LOCCS, Field Office staff should refer to the LOCCS PIH User Guide for HUD Staff. The most current edition was issued in July 1996. Field Offices may also contact the OPHI HOPE VI LOCCS Administrators with any questions.

C. IBS Data Entry

As with all demolition activities carried out with other program funds, the Field Office is responsible for updating IBS with actual costs and the dates that units are demolished.

III. REPORTING REQUIREMENTS

A. Quarterly Reports

HOPE VI Demolition Grantees must submit a Quarterly Report each January 31, April 30, July 31, and October 31. HUD is developing a reporting format for all HUD-funded public housing demolition, including demolition funded by HOPE VI Demolition Grants. Reporting information will be sent to each Grantee and will also be posted to the HOPE VI Home Page. Please note that this form may change from time to time, and the most current version can always be found on the web.

Although Grantees will email the completed report to OPHI in HUD Headquarters, a hard copy must be sent to the **Field Office**, which is responsible for entering receipt of the Report into LOCCS (screen M10) each quarter in order for Grantees to continue receiving funds. Field Offices will also use data from the report to enter demolition statistics into IBS, ensure that operating subsidy is reduced accordingly, monitor use of Section 8 for relocation, and ensure that budget items are appropriate.

B. Cumulative Obligation and Expenditure Data

1. Nature of Report

In addition to submitting a Quarterly Report, Grantees must also enter cumulative totals directly into LOCCS each quarter. LOCCS/VRS gives you the option to enter or change previously entered cumulative obligation and expenditure data without drawing down, or to continue the drawdown without entering the data. You must report the total cumulative obligation and expenditure amounts for each grant for which funds are being requested. If no obligation or expenditure activity has occurred since the last quarterly update, reenter the existing cumulative obligation and expenditure data in order for LOCCS/VRS to acknowledge data entry for the most recent previous quarter.

a. Obligations.

Obligations refers to the cumulative amount of commitments you have entered into, i.e., contract execution for contract labor, materials or services; start and continuation of physical work by force account labor; and start and continuation of administrative expenses. Contract execution means execution of the contract by both you and the contractor.

b. Expenditures.

When funds have been obligated, you are expected to show reasonable progress as evidenced by increasing fund expenditures each quarter at a rate which would allow completion within the time frame set forth in the approved implementation schedule. Request construction funds only when payment is due and after inspection and acceptance of the work. You are generally required to distribute funds within three working days of receipt of the funds from HUD.

2. Data Entry Deadlines and LOCCS Oversight

You must enter Cumulative Obligation and Expenditure Data during the month following the due date of the Quarterly Report. One month after each Quarterly Report due date, you will not be allowed to continue the drawdown unless you have entered the cumulative obligation and expenditure data for the previous quarter. For example, for the quarter ending December 31, you must enter the required data during the month of January. If you have not done so by January 31 and you attempt to requisition funds on February 1, LOCCS/VRS will not process the requisition until you enter the required data.

If you have not requested funds during a previous quarter or quarters, you will not be allowed to request funds until you have entered the cumulative obligation and expenditure data for the most recent previous quarter. For example, if you have not requested funds during the quarters ending March 31 and June 30, but you need to request funds in July, LOCCS/VRS will not process your request until you have entered the required data for the quarter ending June 30. If there has been no change in the obligated and expended amounts, you must reenter the existing cumulative obligation and expenditure data in order for LOCCS/VRS to acknowledge data entry for the most recent previous quarter.

3. Initial Data Entry

For the initial drawdown for a particular grant, the procedure set forth in paragraph 2 applies. If the cumulative obligation and expenditure data for the most recent previous quarter are zero, enter zeroes for both amounts. For example, if the Grant Agreement was executed in January and you are requesting your first funds under the grant in March, you must enter zeroes for the quarter ending December 31, even though the Grant Agreement was not executed as of that date.

4. Data Entry Edits

- a. If the entered cumulative obligation or expenditure amount is less than the prior quarter's obligation or expenditure amount, LOCCS/VRS will ask you whether the entered amount is correct. If the amount is incorrect, you may correct the amount. For example, the obligation amount may decrease due to a contract modification, reducing the fixed price of the contract.
- b. If the entered cumulative obligation amount is greater than the grant amount, LOCCS/VRS will ask you to enter a corrected amount. The obligation amount cannot exceed the grant amount.
- c. If the entered cumulative expenditure amount is greater than the obligation amount, LOCCS/VRS will ask you to enter a corrected amount. The expenditure amount cannot exceed the obligation amount.

IV. DEMOLITION GRANT MONITORING

A. Grant Changes

Field Offices have the authority to review and approve most grant changes, subject to the following guidelines.

1. **Budget Amendments.** A Grantee requesting a budget amendment, i.e., a redistribution of grant funds between Budget Line Items, must submit its proposed budget, using the HOPE VI Budget Form, to its Field Office Grant Manager. The Field Office will review the budget for reasonableness of costs and eligibility of activities. HOPE VI Demolition grants may only be used for demolition (including hazard abatement), relocation, and the establishment of a lawn. Grant funds may not be used for site improvements such as playground equipment, parking lots, streets, etc. Once the Field Office has approved the budget, it must sign and return a copy to the Grantee and record the appropriate changes in LOCCS. The Field Office is asked to send a courtesy copy of the revised budget to OPHI for its files.
2. **Reduction in the number of units to be demolished.** HOPE VI Demolition grants awarded in FY 1996 and 1997 were awarded based upon demolition applications that had not yet been approved. If the SAC approves a smaller number of units than requested or amends its approval to reduce the number of units previously approved, the amount of the HOPE VI Demolition grant must be reduced accordingly. The revised grant amount must be calculated using the same grant limitations as the original grant amount. OPHI, the Field Office, and the Grantee will work together to arrive at a revised budget and scope of the grant. The final written approval of the reduced amount will come from OPHI, and OPHI will prepare the SF 1044 to recapture the funds.
3. **Leftover Funds.** After carrying out the demolition and relocation activities proposed in its original application, a Grantee may find that it has unexpended grant funds. How those funds are to be treated depends on the year the grant was awarded.
 - a. 1996 - 1997: Because all eligible applications submitted in the FY 1996 and 1997 funding rounds were selected for funding, those Grantees may use any leftover funds for eligible demolition activities. Such a Grantee may request that those funds be spent to demolish additional units, either in the same public housing project or in another project. The units targeted for additional demolition must be approved for demolition either through a HUD-approved demolition application or a HUD-approved Section 202 Conversion Plan. The Field Office may approve the use of unexpended grant funds to demolish additional units. HOPE VI grant funds may be used only for eligible HOPE VI Demolition grant activities, and the Field Office must ensure that the appropriate environmental review is completed before demolition is carried out.

- b. 1998: Because not all eligible HOPE VI Demolition applications were funded in FY 1998, any leftover funds from FY 1998 grants must be recaptured. Field Offices must work with OPHI to recapture these funds by executing an SF 1044 with the Grantee. The recaptured funds will be returned to the HOPE VI program and made available in the next HOPE VI funding round.
- 4. Any other changes proposed by a Grantee must be submitted to the Field Office for review. The Field Office will consult OPHI as needed on a case-by-case basis.

B. Grant Duration

Starting in FY 1999, each HOPE VI Demolition Grantee is required to procure a demolition contractor within six months from the date the obligating document is executed, and complete the demolition within two years from the date of grant obligation. FY 1996-1998 Grantees were not given a specific deadline to complete their demolition, and there have been some significant delays in the FY 1996 HOPE VI Demolition grants. Field Offices must be proactive in emphasizing the importance of getting these units down expeditiously.

C. Grant Closeout

Field Office Grant Managers are responsible for assisting Grantees in closing out their grants. Procedures and forms are provided in the HOPE VI Guidebook. Again, it is important that Field Offices enter all changes in unit counts into IBS and adjust operating subsidies accordingly. Field Offices are asked to send copies of the Preliminary Closeout documentation and a copy of the approved Actual HOPE VI Cost Certificate to OPHI for its files.

Attachment A: Summary of HOPE VI Demolition Grant Limitations

Attachment B: Form HUD-27054-A

Attachment A

SUMMARY OF HOPE VI DEMOLITION GRANT LIMITATIONS

- 1996: indirect costs no more than 20 percent of direct costs
 no more than \$3,000 per unit for relocation
 no more than \$15,000 per unit overall
- 1997: indirect costs no more than 10 percent of direct costs
 no more than \$3,000 per unit for relocation
 no more than \$5,000 per vacant unit
 no more than \$6,600 per occupied unit
- 1998: no more than \$5,000 per vacant unit
 no more than \$6,600 per occupied unit
- 1999: no more than \$5,000 per vacant unit
 no more than \$6,600 per occupied unit
 reasonable costs to demolish nondwelling facilities